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FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC 1852
INFO RUEHCG/AMCONSUL CHENNAI 2943
RUEHCI/AMCONSUL KOLKATA 2240
RUEHLH/AMCONSUL LAHORE 4427
RUEHBI/AMCONSUL MUMBAI 2049
RUEHPW/AMCONSUL PESHAWAR 4862
RUEHIL/AMEMBASSY ISLAMABAD 4931
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
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RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

UNCLAS SECTION 01 OF 02 NEW DELHI 001405

SIPDIS

USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENTFELD/AADLER
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA ABAUKOL
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
STATE FOR SCA/INS AND EB/TRA JEFFREY HORWITZ AND TOM ENGLE
USDA PASS FAS/OCRA/RADLER/BEAN/CARVER/RIKER
EEB/CIP DAS GROSS, FSAED, MSELINGER
USTR FOR CATHERINE HINCKLEY

E.O. 12958: N/A

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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF MAY 19-23, 2008

REF: NEW DELHI 1354

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¶1. (U) Below is a compilation of Economic highlights from Embassy New Delhi for the week of May 19-23, 2008, including the following items:

-- CUBAN TRADE DELEGATION IN INDIA
-- RUPEE'S RECENT DEPRECIATION
-- INTERNET NETIZENS IN INDIA

CUBAN TRADE DELEGATION IN INDIA

¶2. (U) Cuban Ambassador to India Miguel Angel Ramirez Ramos told media in Delhi that a 19-member Cuban delegation that arrived in India on May 17 hopes to revive bilateral trade ties which slumped after the disintegration of the Soviet Union. The delegation, led by Deputy Foreign Trade Minister Eduardo Escandel Amador, will be in India for 12 days. Ramos gave his views on why trade with India went down and why it could be revived to previous levels. According to him, in the 1980s, bilateral relations were strong, with annual bilateral trade touching USD 300 million. But the 1990s saw the demise of the Soviet Union, economic crisis in Cuba, and a 'change of policy' in India. In addition, Cuba had outstanding debt owed to India, which has now been cancelled. "India has good quality products and there will be a lot of opportunities, now that all issues have been solved," said Ramos. At present, Cuba imports products worth USD 3 billion from China. "If we bought 10 per cent of that from India, trade [would] again touch USD 300 million. It is not difficult for bilateral trade ties to grow dramatically though we will have to work hard at that." Among the products on the Cuban shopping list are chemicals, pharmaceuticals, energy saving devices, tires, auto spare parts, and engines. In addition, according to press, in the energy sector Cuba has allocated two offshore blocks to ONGC Videsh in the Gulf of Mexico and three elsewhere in joint ventures. Cuba also raised the Indian rice export ban, stating that

"in [the] future, we would like to see India exporting rice. We hope the ban on exports would not be a permanent situation."

RUPEE'S RECENT DEPRECIATION

13. (U) The rupee this week fell to the lowest level in more than 13 months (hovering at INR 43.10/1 USD on May 22), the lowest since April 12, 2007 (reftel). After appreciating 12.3 percent in 2007, the rupee has depreciated about 9 percent in 2008 year to date. The fall in the rupee can be attributed to dollar purchases by Indian oil marketing companies to buy crude oil from the overseas market, a slowdown in capital inflows, and unwinding of positions that were betting on rupee appreciation to check the rising inflation. A surging fuel import bill, continued strength in domestic investment, and expectations of moderate export growth suggest the current account deficit could worsen to slightly more than 2 percent of GDP this year. The Reserve Bank of India (RBI) has not yet intervened in the foreign exchange market to reverse the rupee's fall against the dollar. Banking analysts opine that the rupee is likely to weaken to INR 43.5-44/1 USD in the short-term due to high oil prices and current financial uncertainties reducing emerging market inflows; although most think the rupee will eventually return to a strengthening mode later in the year.

INTERNET NETIZENS IN INDIA

14. (U) An offline survey conducted by advisory firm JuxtConsult's on over 12,500 households across 40 cities and 160 villages indicates that currently there are 49 million Internet users in India compared to 30 million users in 2007. Urban users account for 40 million, while rural net users total 9 million. The survey shows that internet penetration as a percent of population in urban India is at 12 percent, while rural penetration stands at 4.5 percent. Women

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account for less than a fifth, just 17.6 percent of the total 49 million netizens. Over half of all net users (51 percent) work for the corporate sector. South India contributes the largest share of Internet users at 33 percent, while East India is under-represented at just 15 percent.

15. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

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